

Message Text

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ORIGIN ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 OMB-01 L-03 IO-13 /071 R

DRAFTED BY ARA/AND - MR. FULLER:LEE
APPROVED BY ARA/AND - MR. FULLER
TREASURY - MR. SEYMOUR (INFO)
EXIM - MR. KINGSL:Y (INFO)
COMMERCE/OIM - MR. LINDOW (INFO)
ARA/ECP - MR. WIEDEMANN (DRAFT)
EB/ORF - MR. MILAM

-----047521 100352Z /73

P 092300Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY LIMA PRIORITY

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E.O. 11652: N/A

TAGS: EFIN, PE, UR

SUBJECT: MILLION BALANCE-OF-PAYMENTS LOAN TO PERU:
FURTHER DETAILS

REF: STATE 41807

1. ACCORDING TO SOURCE FROM ONE OF LEAD BANKS IN INTER-
NATIONAL SYNDICATE CONSIDERING \$260 MILLION BOP LOAN
TO PERU, FINAL AGREEMENT ;AS BEEN DELAYED PENDING CLARI-
FICATION OF INFORMATION IN MEMO PRESENTED SYNDICATE BY
PERUVIAN BANK HEGOTIATING TEAM. US BANK REPRESENTATIVE
HAS BEEN SENT TO LIMA TO ENGAGE IN FURTHER DISCUSSIONS.
SOURCE INDICATED THAT LOAN AGREEMENT WOULD NOT BE SIGNED
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UNTIL AFTER PERU QUALIFIES FOR SECOND DRAW-DOWN OF IMF
STANDBY. SOME THOUGHT SIGNATURE MIGHT TAKE PLACE BY END
OF MARCH, BUT SOURCE CHARACTERIZED THIS AS "OPTIMISTIC".

2. INFORMANT FROM A REGIONAL BANK ADVISED THAT STRUCTURE
OF \$260 MILLION LOAN HAD BEEN CHANGED FROM OUR PREVIOUS
UNDERSTANDING (REFT-L):

A) TOTAL AMOUNT REMAINS THE SAME, BUT THE \$260 MILLION FIGURE DOES NOT REPRESENT TOTAL INDEBTEDNESS TO PARTICIPATING BANKS THIS YEAR. THAT TOTAL IS \$306 MILLION, OF

WHICH PERU IS COMMITTED TO PAY 15 PERCENT, LEAVING \$260 MILLION OUTSTANDING.

B) ACCORDING TO SOURCE, FUNDS WILL NOT BE DISBURSED TO PERU AT ALL; INSTEAD, ENTIRE AMOUNT WILL BE PLACED IN ESCROW ACCOUNT IN U.S. AS MATURITIES BECOME DUE, PARTICIPATING BANKS WILL DRAW FROM ACCOUNT. FUNDS WILL BE EXHAUSTED BY END 1978. (FYI. THIS WOULD BE AN UNUSUAL DEPARTURE FROM NORMAL ROLLOVER PROCEDURE. A SECOND BANKING SOURCE INVOLVED IN THE SYNDICATED LOAN -- THOUGH NOT A MEMBER OF THE STEERING COMMITTEE -- WAS NOT AWARE THAT SUCH A PROCEDURE WOULD BE FOLLOWED.)

C. AVAILABILITY OF FUND TO MEET PERUVIAN DEBTS WILL CONTINUE TO BE LINKED WITH PERUVIAN QUALIFICATION FOR QUARTERLY DRAWDOWNS FROM IMF STANDBY.

D) A SIMILAR LOAN MAY BE PROVIDED PERU NEXT YEAR TO COVER MATURITIES TO BANKS IN 1979.

3. LEAD BANK-SOURCE REPORTED THAT U.S. SHARE OF \$260 LIMITED OFFICIAL USE

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MILLION LOAN MAY BE REDUCED FROM \$150 MILLION TO \$140 MILLION, EQUAL TO REVISED TOTAL OF MATURITIES OUTSTANDING TO PARTICIPATING U.S. BANKS THIS YEAR. THIS WILL MEAN OTHER-COUNTRY SHARES WILL HAVE TO BE INCREASED TO MEET TOTAL OF \$260 MILLION.

4. REGIONAL BANK INFORMANT ADVISED THAT CHARGES ON TOTAL LOAN WILL BE HIGH - INTEREST OF 2 1/4 PERCENT OVER LIBOR, FRONT END FEE OF 1 1/2 PERCENT, AND COMMITMENT FEE OF 3/4 OR 1/2 OF 1 PERCENT. TERM WILL BE FOUR YEARS, INCLUDING TWO YEARS GRACE (NOT UP TO SEVEN, INCLUDING THREE YEARS GRACE, AS REPORTED PREVIOUSLY). VANCE

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